

A GUIDE FOR BUSINESS PEOPLE

In today's competitive marketplace, how much money do you spend on attracting new customers? And how much care do you take to keep the customers you have already?

Good customer service is good business. It costs much less to keep an existing customer than to win a new customer, so retaining existing customers is more profitable for business¹.

Providing good customer service is not as hard or as costly as you may think. You don't need to do a business course or send your staff away for lengthy training. This booklet contains some simple guidelines to help business owners and managers establish their own policies and systems to resolve customer complaints effectively. If you already have a system in place, you may like to review it using the checklists and information provided.

Why it pays to get it right

Good service builds customer loyalty. If a company has effective customer complaints systems in place, many of those customers with questions or problems can be retained. Satisfied complainants can be nearly as, or even more loyal than, customers who did not have a problem².

Mediocre service drives customers away. Even if things do not go badly, research suggests that some customers will still leave because they are not totally satisfied with the service.

Poor service drives customers away. And they will not always come back and give you the chance to put it right. Often you will be the last person to hear about your customer's problem. Many New Zealanders will not bother to complain to the business concerned. They will talk to their friends and 'talk' with their feet by taking their custom elsewhere. Even if they do complain to you, you could still lose a number of these customers after only their first complaint.

Negative word of mouth is spread and believed at twice the rate of positive word of mouth³. And in the area of e-commerce, dissatisfied e-customers are almost four times more likely to discuss their e-experience in an on-line chat room than are satisfied e-customers⁴.

Things customers say they value highly include:

- ✓ having a problem fixed first time, and on time
- ✓ having confidence that you know what you are doing
- ✓ not being blamed for the problem
- ✓ showing concern for their situation
- ✓ being kept informed of progress
- ✓ being advised what they can do to help avoid the problem recurring.

1- SOCAP Customer Contact Study 1998
 2- SOCAP Customer Contact Study 1998
 3- SOCAP Customer Contact Study 1998
 4- ICSA and e-Satisfy/TARP Benchmarking Study of Electronic Customer Care 2001

HANDLING COMPLAINTS

Examples of poor complaint handling that have been brought to the attention of the Ministry include:

- ✗ not having any way for customers to make their complaints to you
- ✗ not having a system to record complaints
- ✗ failing to acknowledge there is a problem
- ✗ not taking responsibility for the problem, and repeatedly giving the customer the run-around by making them deal with other staff
- ✗ blaming the customer for the problem, or saying no-one else has complained
- ✗ lack of knowledge of the problem
- ✗ lack of knowledge of consumer law
- ✗ taking too long to respond
- ✗ having staff with no authority to make decisions to help the customer
- ✗ offering no solution or offering a solution which is unlikely to resolve the problem.

Customers are looking for their problem to be:

- ✓ easy to report
- ✓ acknowledged
- ✓ dealt with quickly, sensitively, and fairly.

The following checklists include ideas to help achieve the above principles and to help you develop good complaints handling systems.

Reporting the problem

- ☐ Ensure that your contact details are readily available to customers – eg, in the Yellow Pages of the telephone book.

When the problem is reported

- ☐ Thank the customer for bringing the problem to your attention.
- ☐ Treat the customer with genuine empathy, courtesy, patience, honesty and fairness.
- ☐ Speak to the customer in person, and do not rely solely on written complaints, or records of conversations.
- ☐ Show the customer that you clearly understand their problem by listening and taking notes. Ask questions to clarify the situation.
- ☐ Do not jump to conclusions, apportion blame, or become defensive.
- ☐ Summarise back to the customer your understanding of the problem.
- ☐ Respond to the problem quickly, tell the customer how it will be handled and tell them when they can expect a response.

Solving the problem

- ☐ Tell the customer you are taking responsibility for dealing with the problem.
- ☐ Familiarise yourself with any background information. This could include checking internal records, speaking to staff and checking how this compares with the customer's version of events.
- ☐ Be solution-focused by involving the customer in this process.
- ☐ Make sure the customer is happy with the proposed solution before going ahead.
- ☐ Ensure that the solution meets any legal obligations. If the customer is asking for more than their legal right and you feel they are making an unrealistic demand, explain what the law says. You could refer them to the Ministry's website or the Citizens Advice Bureau to check on their legal rights.
- ☐ Where there are no legal obligations, offer a solution that in the circumstances best meets the needs of your business.
For example, if the law says a customer is entitled to a repair, you may be willing to offer a replacement if that is what the customer wants. The cost of satisfying the customer is likely to be less than the cost of losing them.
- ☐ Make sure you do what you promised to do, and don't delay – quick action will keep customers happy, but stalling and delays will lose customers. If there is going to be a delay, tell the customer.
- ☐ Tell the customer what your business will do to prevent the problem from happening again.

Following up after the problem

- ☐ Keep a record of the complaint, and what you have agreed with the customer.
- ☐ Invite the customer to inform you promptly if they are not satisfied.
- ☐ Keep a record of all problems and complaints raised.
- ☐ Use these records to help you evaluate your complaints handling systems. They can help you
 - identify recurring problems with particular goods you sell or services you offer
 - check how well and how quickly your staff are handling complaints.
- ☐ Use the information to decide
 - do I have an adequate way of handling each type of complaint?
 - do staff know what our policy is for handling the different types of complaint?
 - what training do staff need?
 - do staff need better information about the product?
 - should I be stocking this brand?

PUTTING IT RIGHT YOUR BUSINESS'S POLICY

It will be much easier to resolve complaints quickly, and thereby save time and retain customers, if you have worked out a policy for handling the different types of complaints you receive – eg, faulty goods, sold out of advertised products.

When developing your policy, consider the following points.

Your legal obligations

A number of laws may apply to each situation such as the Consumer Guarantees Act and the Fair Trading Act. The Ministry of Consumer Affairs has resources available to help you understand your legal responsibilities. You could also contact your nearest Citizens Advice Bureau. Alternatively, you may wish to consult your solicitor or a trade association.

The legal obligations are the minimum requirement. *For example, the law says a customer is not entitled to a remedy when returning goods if they have simply changed their mind. But you may choose to have a policy that allows exchange, credit note or even a refund in these circumstances.*

How important the problem is to the customer

Consider whether the customer's circumstances require that the problem be fixed quickly. *For example, customers will want heaters fixed very quickly during winter.*

Who should handle complaints

This is an important point to think about when developing your policy. Customers want their problem solved quickly and efficiently and don't want to have to make repeated trips to your business.

In a business where the manager or supervisor is always available it may be appropriate for that person to handle all complaints.

In most businesses, that won't be practical. To deal with customer complaints promptly and efficiently, sales staff will need to be able to handle and resolve complaints. Make sure all your staff dealing with complaints have the authority to provide solutions acceptable to the customer.

If possible, assign one staff member to handle a customer's complaint from start to finish and ensure the customer knows that person's name and contact details.

Training staff

Once you have prepared your business policy on handling complaints you will need to train your staff and ensure they understand the importance of applying the policy. You can monitor their actions by ensuring they complete complaint record forms (see page 6 for a sample Customer Complaint Record).

Make sure all staff that have contact with customers (face to face, by phone, by written correspondence) receive training. Include telephonists or receptionists in this process, or at least advise them which staff are responsible for handling customer complaints.

Keep staff up to date on any changes to consumer law that could affect your complaints handling policy.

If you have any written material on relevant laws, or your business policy, ensure it is readily accessible to your staff.

Encourage complaints

When your business policy on complaint handling is in place, let people know that you are ready to listen to their complaint and put it right.

Invite complaints!

- Provide a customer suggestion/feedback box at your business.
- Carry out a survey.
- Prominently display a notice of your complaints handling policy.

Invite feedback from customers on how their complaint was handled. Remember that satisfying complainants can increase customer loyalty.

CUSTOMER COMPLAINT RECORD

CUSTOMER: _____

ADDRESS: _____

PHONE:

(Home) _____ (Work) _____

FAX: _____

EMAIL: _____

Date complaint received / /

Person receiving the complaint _____

How was the complaint received?

☐ Phone ☐ In person ☐ In writing

Describe the goods or service _____

Describe the problem/complaint _____

What does the customer want done? _____

What is the business policy for this complaint? _____

What is the agreed solution? _____

Action required _____

Date action to be completed / /

RECORD OF ACTION TAKEN

Action

Date

_____	/	/
_____	/	/
_____	/	/

/ /
Date complaint resolved

Signature _____